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C O N F I D E N T I A L AMMAN 004304

SIPDIS

TREASURY FOR OASIA -- MCDONALD, PIPATANGUL

E.O. 12958: DECL: 07/25/2007

TAGS: [ETTC](#) [PREL](#) [IZ](#) [JO](#)

SUBJECT: JORDAN TRADE MINISTER'S IRAQ TRIP "ONLY FOR APPEARANCES"

Classified By: DCM Gregory L. Berry. Reasons 1.5 (b) and (d)

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SUMMARY  
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1. (C) According to the number two Ministry official, Trade Minister Salah al-Bashir's July 19-23 visit to Baghdad was primarily for show, and added little to the bilateral economic relationship. He noted that some adjustments had been proposed to the bilateral oil and trade protocols to offset prospective imbalances resulting from the increase in global oil prices. There was discussion of a bilateral FTA, but no progress toward that end. End Summary.

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IT'S ATMOSPHERICS  
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2. (C) Trade Ministry Secretary General Samer Tawil told Econoff July 25 that the July 19-23 trip to Baghdad on which he accompanied Trade Minister Salah al-Bashir was little more than damage control following Prince Hassan's recent surprise appearance and comments at the meeting of exiled Iraqi officers in London. Tawil said local publicity surrounding the trip was a GOJ gesture to a peeved Iraqi leadership. Tawil added that the political nature of the trip, and the desire of the GOJ to steer clear of substantive negotiations with Iraq on trade issues, mean that technical level people on the GOJ side were not included on the trip.

3. (C) Tawil reported that the Iraqis asked that the ceiling on 2002 Jordanian exports to Iraq be raised to compensate for the increase in crude prices (now over \$25/bbl compared to about \$19/bbl when the protocols were signed). Tawil said he tentatively agreed, but said that Jordanian suppliers of extra exports (above the previously agreed ceiling) would be paid by the GOJ in 2003 (i.e., some letters of credit to Jordanian suppliers approved in the fourth quarter of 2002 would only be issued in 2003). Thus, increased outlays to Jordanian suppliers would not impact Jordan's 2002 budget.

4. (C) Tawil added that other "agreements" announced after Bashir's visit, like the removal of 14 Jordanian companies from Iraq's "black list" of normalizers, were either overblown, were announcements of deals completed far in the past, or both. Finally, he told Econoff that, while the issue of a Jordan-Iraq FTA was raised by the Iraqis, no progress was made or even seriously attempted.

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Comment  
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5. (C) Through this sleight of hand, Tawil hopes that the cost of greater Jordanian exports in 2002 will be postponed until next year, to be paid for out of Iraqi oil shipped then (using cash raised by the oil's sale by the GOJ to the refinery company). Indeed he probably hopes to minimize the impact by adjusting the still to be negotiated agreed level of 2003 exports. In a way, however, Tawil's scheme could end up backfiring if 2003 subsidized oil imports are interrupted for any reason, including a U.S.-Iraq confrontation. In that event, the GOJ would still owe suppliers, but not have the income stream to provide the cash. Indeed, this could come at just the time when extra funds are needed to buy oil on the market.

Berry